

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 5718

#### **WASHINGTON STATE LOTTERY COMMISSION**

Agency No. 116

July 1, 1995 Through June 30, 1996

Issue Date: December 20, 1996

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## Overview

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We performed the statewide single audit of the state of Washington for the fiscal year ended June 30, 1996. In accordance with the Single Audit Act of 1984, we audited the state as an entity, rather than each agency separately. The results of this audit will be published in a statewide single audit report which includes the following:

- An opinion on the financial statements.
- A report on internal control structure-related matters based solely on an assessment of control risk made as part of the audit of the financial statements.
- A report on compliance with laws and regulations that may have a material effect on the financial statements.
- An opinion on supplementary Schedule of Federal Financial Assistance.
- A report on internal controls over federal financial assistance.
- An opinion on compliance with specific requirements applicable to major federal financial assistance programs.
- A report on compliance with general requirements applicable to federal financial assistance programs.
- A report on compliance with laws and regulations applicable to nonmajor federal financial assistance program transactions tested.
- A Schedule of Findings and Schedule of Questioned Costs.

The work performed at the Washington State Lottery Commission included procedures to satisfy the requirements of the 1996 statewide single audit and supplemental reviews and tests deemed necessary in the circumstances.

There was a finding, which is listed in the Schedule of Findings following this Overview, for the Washington State Lottery Commission.

Brian Sonntag  
State Auditor

October 28, 1996

# WASHINGTON STATE LOTTERY COMMISSION

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July 1, 1995 Through June 30, 1996

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## Schedule Of Findings

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1. The Washington State Lottery Commission (WSL) Should Follow State Travel Regulations

WSL did not maintain adequate documentation details to support their justification for holding an all-staff conference at the Shilo Inn at Ocean Shores. The WSL employees who attended incurred travel costs and overtime if they qualified. Overnight accommodations and meals provided to WSL employees cost \$25,391.

In addition, WSL overpaid allowable per diem for lodging at this conference. The exception to the maximum lodging amount was approved by the director. However, no adequate written explanation of why the exception was necessary was provided to the director when approval was made.

The Office of Financial Management's (OFM) *Policies, Regulations, and Procedures* manual, Section 4.2.1.3.1.c. states:

When meetings or conferences are necessary, first preference must be given to locations at state or other public (e.g., local government) facilities.

Section 4.2.1.2.2.a. states:

(1) A state agency's primary criterion is that which is most economical to the state.

Section 4.2.1.3.4.b. states:

Where a convention, conference, training session, or meeting held or sponsored by the state is conducted at a barrier-free non-state facility, the person responsible for the choice of location and facilities is to submit justification in advance in writing to the agency head or authorized designee for approval. The justification is to include:

(3) An estimate of the anticipated cost to the state, including the travel cost of employees; and

(4) An explanation why state-owned barrier-free facilities cannot be used.

Section 4.2.7.2.2. defines the maximum allowable per diem rates authorized by OFM.

Section 4.2.2.2.4 states:

When an exception to the maximum Allowable Lodging Amount is used, the employee is to select the most economical room available under the circumstances.

Approval for the exception, signed and dated in advance by the agency head or authorized designee, is to be attached to the payment document. An explanation why an exception was necessary should also be provided.

Lack of detailed documentation concerning justification for travel or exceptions to the Maximum Allowable Lodging Amount, does not provide assurance that the cost was most economical to the state.

WSL did not maintain detailed documentation for this conference due to oversight by the planning committee.

We recommend WSL comply with OFM regulations when selecting conference sites and paying per diem expenses.

*Auditee's Response*

*Washington State Lottery does not concur with the finding. Office of Financial Management representatives have reviewed the Lottery's documentation and feel that we met the intent of the procedures with the exception of an analysis of travel costs (approximately \$3,000). The \$25,000 spent on the agencywide conference was legitimate and allowable. The Lottery exceeded per diem by \$2.50 per person which is allowable under the "exception to maximum lodging" section of the procedure. The finding, as written, appears far more serious than it actually is.*

*Auditor's Concluding Remarks*

In formulating the finding presented above, we obtained the advice of our legal counsel. We believe their advice supports our position. We therefore reaffirm our finding.